SHRI SITARAM YECHURY: Sir, please. ...*(Interruptions)*... Sir, this is very important. ...*(Interruptions)*...

MR. CHAIRMAN: Please don't. ...*(Interruptions)*... No.

SHRI V. HANUMANTHA RAO: Sir, Question No. 202.

SHRI SITARAM YECHURY: Sir, since he has just relinquished being the Finance Minister and taken over an important portfolio of the Home Minister. ...*(Interruptions)*... Sir, the hon. Prime Minister is here.

MR. CHAIRMAN: Yechuryji, please. ...*(Interruptions)*...

SHRI SITARAM YECHURY: Sir, please permit me to ask this supplementary. ...*(Interruptions)*... Sir, all I am asking is this. He said in his reply that the prices of cereals, the inflation rate is rising, except for wheat. Pulses, yes, we know, we understand, but the answer for that is the production of pulses will have to come from incentives to be given for production of pulses.

MR. CHAIRMAN: What is your point? ...*(Interruptions)*...

SHRI SITARAM YECHURY: Sir, my question is, ...*(Interruptions)*...

MR. CHAIRMAN: No, this is not a question. ...*(Interruptions)*... This is not a question.

SHRI SITARAM YECHURY: Sir, I am asking the question. Sir, the inflation rate is rising for all cereals, except wheat. We have said that the reason for this rise, one of the important reasons is speculative trading in these commodities. Under pressure, Sir, they have banned eight of them. We are saying you increase it to 25 that the Parliamentary Standing Committee has asked. ...*(Interruptions)*...

MR. CHAIRMAN: That is the point of view which can be discussed separately.

SHRI SITARAM YECHURY: Will that be done?

MR. CHAIRMAN: Thank you. Now, Question No. 202.

Incentives to Aviation Industry

*202. SHRI V. HANUMANTHA RAO:
DR. T. SUBBARAMI REDDY:

Will the Minister of CIVIL AVIATION be pleased to state:

(a) whether after handing out a slew of incentives to the aviation industry, over the past two months, a Committee of Secretaries led by Cabinet Secretary considered in a schedule of meetings to assess the impact of the measures on the sector and the need for additional measures to be taken; and

(b) if so, what are the main subjects discussed and what are the proposals prepared and to what extent they have agreed to improve the aviation industry?

THE MINISTER OF STATE OF THE MINISTRY OF CIVIL AVIATION (SHRI PRAFUL PATEL): (a) and (b) A Statement is laid on the Table of the House.

Statement

(a) Yes, Sir. Government has constituted a committee under the Chairmanship of the Cabinet Secretary comprising of Finance Secretary; Secretary, Ministry of Civil Aviation; Secretary, Department of Revenue; Secretary, Ministry of Petroleum & Natural Gas; Secretary, Planning Commission; Dr. Deepak Parekh, Chairman, HDFC; Dr. Raghuram, Professor, IIM, Ahemadabad to examine various issues relating to the current financial crisis being faced by domestic airlines. Two meetings of the committee have been held on 14.08.2008 and 18.11.2008 respectively.

(b) The following issues *inter-alia* were discussed in the meetings.

Impact of rising prices of Aviation Turbine Fuel (ATF) on Airlines losses, Rationalization of Sales Tax on ATF to bring it to declared goods status, Removal of Custom duty on ATF, Import of ATF by airlines, Pricing of ATF by oil companies, Allowing private domestic Airlines to operate on international routes, Foreign Direct Investment in Air Transport Sector.

Following steps have been taken to help the aviation industry.

(1) Custom duty on import of ATF has been abolished,

(2) The Oil Companies have been reducing ATF prices since September, 2008,

(3) The Oil Companies have staggered the dues of Airlines over six months,

(4) The Oil Companies have also extended the credit period.

SHRI V. HANUMANTHA RAO: Sir, I want to know from the hon. Minister whether the Government has decided to intervene and help the growing civil aviation industry in the wake of skyrocketing prices of Aviation Turbine Fuel. I also want to know whether the high prices of jet fuel has dealt a severe blow to the airlines. Sir, I further want to know from the hon. Minister whether the Ministry has made a request to the hon. Prime Minister to intervene on the question of high prices of ATF.

If so, whether the Prime Minister has considered the request; if so, what are the decisions taken?

श्री सभापति: एक सप्लीमेंटरी में आप कितने सवाल पूछ रहे हैं?

SHRI V. HANUMANTHA RAO: To what extent the Ministry is hopeful to reaching an agreement in aviation?

श्री सभापति: आपका एक सप्लीमेंटरी सवाल है, आपने उसमें 5 सवाल पूछ लिए हैं। Please ask one question.

श्री वी. हनुमंत राव: सर, मैंने उसे पाट्र्स में पूछा है। ये उसके ए, बी, सी, डी, पार्ट हैं।

SHRI PRAFUL PATEL: Sir, all of us are aware that the prices of fuel internationally skyrocketed this year itself to as high as almost 140 US$ plus. The consequential effect was on the high cost of ATF which resulted in massive losses to all the carriers operating in India. As a consequence of that, certainly, there was a small crisis of sorts in the aviation industry which had to be dealt in a manner, without actually giving any money from the Government to the airline industry – a slew of measures which would have eased the impact. The Prime Minister, as the hon. Member wanted to know, constituted a Committee under the Chairmanship of the Cabinet Secretary, and various eminent

people were associated with this committee, some measures were suggested. Out of which, one of the decisions which the Government took, as I have answered in the Question, is, there was a customs duty on the import of ATF and that has been abolished. The oil companies were asked to give some extended credit to the airline companies and the dues were also asked to be staggered for a period of six months. These are the measures which have been taken in the last few months. Fortunately, the overall prices of ATF have been consistently coming down, which is again going to – I would say – soften the impact of the past one year on the entire aviation industry.

SHRI V. HANUMANTHA RAO: Sir, in my second supplementary I would like to know whether the airlines in India have bled losses of around Rs.2,000 crores in 2006-07 despite a 30 per cent growth in revenues. This is nearly 7 times more than the previous year loss of Rs.301.7 crores. I would like to know whether the Ministry estimates provide a clear indication of the financial state of India. Nine domestic carriers, while their cost of operation has gone up considerably, growth in revenues has not been proportional. If so.....

MR. CHAIRMAN: I am afraid this is a. ...*(Interruptions)*... A supplementary is meant to be.....

श्री वी हनुमंत राव: सर, यह उसके साथ इंटरलिंक्ड है। अब मैं डायरेक्ट क्वैश्चन पर आ गया हूं। If so, what are the main reasons for the continuous losses and what steps the Government proposes to take to improve the position?

SHRI PRAFUL PATEL: Sir, all of us in the House are aware of it and I have stated in the past also that the aviation industry activities in terms of pricing are a completely deregulated sector. The Government does not have any role in the pricing of tickets or what the airline charges to consumers, in any form. It is a demand-supply equation. If the losses of the industry are there for whatever reasons, we cannot be a party to that. However, as I said, on the issue of ATF, when there was an issue which was becoming unmanageable, the Government stepped in to whatever extent was reasonable and logical without paying money to any company from the Government exchequer. Short of that, we have tried to find a way to soften the impact of high ATF prices. But, as far as losses are concerned, the hon. Member is talking about 2006-07, whatever the losses due to their operational reasons or their commercial judgment, I do not think the Government can answer any of those issues.

DR. T. SUBBARAMI REDDY: Sir, I am happy to note that the Government has already formed a committee and the hon. Minister just informed the House that various steps have been taken to help the civil aviation industry. Here, I would like to say, most importantly, on one side, the Air India has lost Rs.2000 crores last year. It is also a concern that several private airlines promoters like Kingfisher, Jet Airlines, are all saying that they are incurring losses. I am afraid; again, if more steps are not taken in time and if we keep losing like this, then, what will happen to the entire Civil Aviation industry? So, I would like to know, in future, in spite of removal of customs duty and also the ATF prices going down are you still safe and will you be able to survive and enable to improve the operators and I would also like to know if Air India is going to make up for this loss again and make profit.

SHRI PRAFUL PATEL: Sir, one thing is certain. As I answered earlier, it is a de-regulated sector so we can do only to a limited extent. But, on the issue of taxation – customs duty which was in the

domain of the Central Government – we have taken adequate measures. I had also convened a meeting of all the States to discuss the issue of the Airline industry. In that, one of the primary issues which every State was advised and requested to looked into was the high sales tax which is levied on ATF and the sales tax varies right from four per cent from the State of Andhra Pradesh to as high as sometimes 32 per cent. That is why it has a cascading effect on the prices of ATF because of the high base price combined with the various other taxes. It put a lot of pressure on the entire Civil Aviation industry. I had discussed this issue with many MPs also. In fact, in the last Session there was a discussion and debate and my friend, the former Civil Aviation Minister, Mr. Rudy who sits on the other side also in a way – I am saying it here because he is present here – supported that, yes, ATF taxation in terms of sales tax should be looked into and if there is a positive move by the Government, we would be happy to respond or support because ultimately, this is an important mode of infrastructure and I appeal to all the Members of Parliament sitting here in this august House that aviation should not be only looked at as one of the elitist modes of transport. It is one more additional mode of public transport and in today's age it is as relevant as maybe rail or road, maybe not used as widely as other modes of transportation but it also equally cannot be ignored and it cannot be left to the situation where it would be very difficult to recover from the present situation. Therefore, one of the measures which I have also being trying to propagate and request the States is to look at the issues of taxation, specially by the State Governments, and, I think, we as Central Government are also looking at this issue very closely.

DR. K. MALAISAMY: Thank you, Mr. Chairman, Sir. It is a matter of fact that the airline companies are losing on the one side and facing serious crisis including pruning of employment and dispensing services of employees. Sir, I do not know whether this development has happened all of a sudden or this was expected. Sir, my specific question to the hon. Minister is that there may be some factors which are controllable and there can be factors which are beyond the control of human beings. I would like to know whether you have made a study as to what are the controllable factors, and what are the uncontrollable factors. What are the measures you have taken to see that the companies are brought back to order.

SHRI PRAFUL PATEL: I think, what I could follow from the hon. Minister's suggestion was that loss of jobs is a matter of concern. I am sure that is a concern for all of us, including the Government and that is one of the reasons where we saw that there was a likelihood of a great number of jobs in the fast growing sector. Otherwise, it has also attracted a lot of young men and women into this industry. The Government, as I said, has taken certain measures and the Prime Minister agreed to constitute the Committee of Secretaries to advise and to guide us in this hour of crisis. I think, this was one of the factors which was in mind that this sector should not suffer and specially, loss of jobs should not take place in this sector.

SHRI TAPAN KUMAR SEN: Sir, the hon. Minister has just said that nothing has gone from the public exchequer.

But, whatever concessions that have been passed on to the big mega private airlines controlling 60 per cent of the domestic share has definitely got a cost by way of reduction in Excise Duty on ATF and other things to the public exchequer. My point is, the hon. Minister has said that due to financial

crisis concessions are being given to mega private airlines. But, I would like to know from the hon. Minister whether the Government has really scrutinised their balance-sheet. In 2007-08, the major component of loss of these two major airlines is due to doubling of depreciation and the interest burden. This has precisely resulted because of their procuring assets of Sahara and Deccan respectively. So, the fact is that concession has been given to them to make them richer in terms of assets. Is the public exchequer meant for that?

Secondly, Sir, if the industry has to move out from this kind of a situation, what is important is that they will have to increase their traffic. I would like to know from the hon. Minister whether the concessions that have been paid to private airlines from the public exchequer are passed on to the consumer by way of reduction in fare. At the same time, there is no increase in traffic and industry is not moving from the present situation. So, I would also like to know from the hon. Minister whether the Government is making a comprehensive provision...

MR. CHAIRMAN: Please put your question.

SHRI TAPAN KUMAR SEN: Sir, my question is: How can the Government use public exchequer without scrutinising their balance-sheet and whether the Government is making a compelling provision so that the concession is passed on to the consumer by way of some reduction in fares.

SHRI PRAFUL PATEL: Sir, there is no question of Government writing a cheque for any airline. Therefore, no measures are taken by the Government to favour either 'A' or 'B' airline. As we all know, many measures are taken by the Government in the larger interest of a sector. If there is Customs Duty reductions or the Excise Duty reductions during Budgets or otherwise, measures are taken by the Government to keep a sector or support a sector. Beyond that, there is no incentive for a particular person or carrier. So, let me make that issue or stand absolutely clear.

The other issue is with regard to fares. Sir, naturally, when the price of fuel went up, the fares also went up. They may not have gone up corresponding to the price of fuel which went up. But, now that the fuel prices have started coming down, I am sure and I have seen that all airlines have started making revision in their fares towards downwards. It will happen more and more in future.

SHRI TAPAN KUMAR SEN: Sir, but their problem does not arise out of the financial crisis. It is because they have acquired assets.

SHRI PRAFUL PATEL: Sir, I cannot reply if he interrupts like this.

MR. CHAIRMAN: Mr. Sen, let the reply continue.

SHRI TAPAN KUMAR SEN: Mr. Minister, you please look into your reply.

MR. CHAIRMAN: No interruptions please.

SHRI TAPAN KUMAR SEN: Sir, the hon. Minister has made a statement in his reply that he is responding to the buoyancy of traffic affecting the private airlines. This is a fact. That is what the balance-sheet shows.

MR. CHAIRMAN: All right; next supplementary. That is enough. Mr. Rajiv Pratap Rudy. ...*(Interruptions)*...

SHRI TAPAN KUMAR SEN: Sir, I need your protection.

MR. CHAIRMAN: No, no. You have asked your supplementary.

SHRI RAJIV PRATAP RUDY: Sir, we have seen that the industry last year had shown a growth of 40 per cent. If the Government wants to speak out that this has happened because of the meltdown, it is not. Basically, Mr. Praful did not get the support either from the Right or from the Left in the last four years as a result of which this disaster has happened. But, Sir, my specific question here is something relating to the National Carriers – Indian Airlines and Air India. Sir, our National Carriers – Indian Airlines and Air India – were merged. If I am correct, the complete net worth of this airline has been eroded and it is in great debt. I do not know how this National Carrier is flying. I would like to know from the hon. Minister whether (a) Was Accenture a consultant to the merger of IA and AI? (b) And, was the same consultant also is a consultant to Kingfisher Airlines? This is a very important question. Along with it, has the merger of IA and AI failed? If so, is the Government thinking of having a re-look into the aspect of de-merger of IA and AI? It is concerning a very small part of your entire aviation industry. But, I think, it is very important to raise this question.

SHRI PRAFUL PATEL: Sir, this supplementary does not arise, in any way, out of the main question.

SHRI RAJIV PRATAP RUDY: Why are you running away, Mr. Praful?

SHRI PRAFUL PATEL: I can only tell you one thing.

Sir, the hon. Member has first raised about the issue of consultant. I would say that I am not aware of it. How is the Government aware of something or someone appointed someone as consultant. I am not aware of it. ...*(Interruptions)*... How can I reply to that question?

MR. CHAIRMAN: Question No. 203. That may be a valid point, but that does not arise out of this question. ...*(Interruptions)*...

SHRI PRAFUL PATEL: Put a specific question. ...*(Interruptions)*

Abolition of Travel Agency Commission

*203. SHRIMATI BRINDA KARAT: Will the Minister of CIVIL AVIATION be pleased to state:

(a) whether the Government is aware of the fact that some airlines have declared abolition of Travel Agency commission and have advised to earn their income by charging the clients additional fees ranging from Rs. 350/- to Rs. 10,000/- over and above the ticket fares, which would be an additional burden to the public;

(b) if so, the details of airlines and the reasons for such abolition; and

(c) the measures taken by Government to correct the situation?

THE MINISTER OF STATE OF THE MINISTRY OF CIVIL AVIATION (SHRI PRAFUL PATEL): (a) to (c) A Statement is laid on the Table of the House.